

德勤华永会计师事务所有限公司

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To The Shareholders of Guangdong Kelon Electrical Holdings Company Limited

We have audited the accompanying balance sheets of the Company and the Group as of 31 December 2003 and the related statements of income and profit appropriation and cash flows of the Company and the Group for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We planned and performed our audit in accordance with China's Independent Auditing Standards to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements stated in page 54 to page 103 present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2003 and the results of their operations and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises and the Enterprise Accounting Regulations promulgated by the State.

**Deloitte Touche Tohmatsu
Certified Public Accountants Ltd**

Chinese Certified Public Accountant

**Hu Fan
Chen Hui Zhu**

Shanghai China

19 April 2004

The auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.